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Economic Investment Trust Limited



Seventy-Third Annual Report
December 31, 1999

Economic Investment Trust Limited

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THE YEAR AT A GLANCE 73rd Annual Report

	1999	1998
Total revenues	\$ 4,957,356	\$ 5,751,777
Net investment income	\$ 4,146,249	\$ 5,120,709
Net investment income per common share	\$ 1.82	\$ 2.25 *
Increase in net assets from operations	\$ 25,102,607	\$ 636,817
Increase in net assets from operations per common share	\$ 11.22	\$ 0.24 *
Regular dividends per common share	\$ 1.70	\$ 1.60 *
Net assets (Market value)	\$ 330,242,175	\$ 308,391,757
Net equity value per common share	\$ 149.62	\$ 139.33 *
Number of common shares outstanding at year-end	2,227,455	2,167,075

* Per share figures for 1998 have been restated for the stock dividend (1 for 35.8532) paid in 1999.

ANNUAL MEETING OF SHAREHOLDERS

The Annual Meeting of Shareholders will be held at 12:00 noon on Wednesday, April 19, 2000 in the Board Room of The Dominion of Canada General Insurance Company, 10th Floor, 165 University Avenue, Toronto. All Shareholders are invited to attend.

HEAD OFFICE	Tenth Floor, 165 University Avenue, Toronto, Ontario
SHARES LISTED	Toronto Stock Exchange
BANKERS	Bank of Nova Scotia
AUDITORS	PricewaterhouseCoopers LLP
TRANSFER AGENT AND REGISTRAR	Montreal Trust Company of Canada

Economic Investment Trust Limited

BOARD OF DIRECTORS

J. CHRISTOPHER BARRON

Chairman
Scotia Cassels Investment Counsel Limited

JOHN B. CRONYN

President
RCO Investments Limited

IRVING R. GERSTEIN

President
Glenoak Capital

DUNCAN N. R. JACKMAN

Managing Director
The Fulcrum Investment Company Limited

THE HONOURABLE HENRY N. R. JACKMAN

Chairman & President
E-L Financial Corporation Limited

JOHN A. RHIND

Corporate Director

ADAM H. ZIMMERMAN

Retired Chairman
Noranda Forest Inc.

HELEN J. ROTENBERG

Vice-President
Mulvihill Capital Management Inc.

OFFICERS

THE HONOURABLE HENRY N. R. JACKMAN

Chairman of the Board

MARK M. TAYLOR

Secretary-Treasurer

Economic Investment Trust Limited

MANAGEMENT'S DISCUSSION AND ANALYSIS

Operating Results

In 1999, Economic Investment Trust Limited increased net assets from operations by \$25,102,607 compared to \$636,817 in 1998. Increase in net assets from operations is comprised of net investment income and net gain (loss) on investments.

Net investment income

The Company's net investment income in 1999 was \$4,146,249 compared to 1998 net investment income of \$5,120,709. On a per common share basis, net investment income decreased to \$1.82 in 1999 from \$2.25 in 1998.

Canadian dividend income decreased by 16% from \$4,747,384 in 1998 to \$3,972,025 in 1999. The 16% decrease from 1998 is mainly due to a decrease in dividend yields by certain companies in which the company holds investments. Foreign dividend income increased by 9% from \$484,400 in 1998 to \$526,392 in 1999. Interest income amounted to \$458,939 in 1999, a decrease of 12% from 1998. The decrease in interest income is attributable to a decrease in the interest rates and average cash balances.

Operating expenses amounted to \$742,962 (1998 - \$502,672) or .24% (1998 - .15%) of average net assets for each respective year. The increase in operating expenses is primarily a result of outsourcing a significant segment of the Company's portfolio management in 1999.

Net gain (loss) on investments

The Company's realized gain and unrealized appreciation of investments for the year ended December 31, 1999 was \$20,956,358 compared with a net loss of \$4,483,892 in 1998. The increase in the net gain in 1999 is primarily a result of the Company's Canadian securities performance in the telecommunications sector, offset in part by a decline in the performance of the financial services sector together with the favourable performance of the Company's holdings in foreign securities. In 1998 the net loss is primarily attributable to a decline in the Company's Canadian securities performance in the oil and gas products and transportation sectors which was offset in part by the favourable performance of the Company's holdings in foreign securities.

The investment portfolio of the Company is comprised of a mix of high yielding and low yielding foreign and Canadian investments. Net investment income, net realized gains on investments, net change in unrealized appreciation of investments and net asset value per share will vary significantly from period to period depending on the investment mix which moves with the constantly changing economic environment.

Dividends

It is a policy of the Company to distribute to its shareholders in any taxation year sufficient taxable Canadian dividends to enable the Company to maintain its status as an "investment corporation" as defined by the Income Tax Act (Canada). In general terms, the distribution requirement is eighty-five percent of taxable Canadian dividends received and of two-thirds of taxable income excluding taxable capital gains.

Economic Investment Trust Limited

MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)

Regular quarterly dividends were paid on our preference shares. Dividends out of income on the common shares outstanding, totalled \$1.70 per share compared with \$1.60 per share during 1998 (restated to give retroactive effect to the February, 1999 stock dividend).

If significant capital gains have been earned by the Company, it is a policy of the Company to pay an annual capital gains dividend to recover taxes paid or payable. Historically, capital gains dividends have been paid out within 60 days of the Company's year end in a combination of cash and common shares of the Company.

On February 9, 1999, your Directors declared a dividend of \$5.36 per common share, payable on February 26, 1999, which qualified as a capital gains dividend under the Income Tax Act (Canada). Payment of this dividend was made in the form of \$1.34 per share in cash and \$4.02 per share by way of a stock dividend in common shares, based on an issue price of \$144.13 per share. Each shareholder therefore received an additional common share for every 35.8532 shares owned. This capital gains dividend was paid out in order to recover the capital gains tax exigible on the Company's capital gains realized in 1998.

Subsequent to the year end, on February 9, 2000, the company declared a capital gains dividend of \$6.48 per common share payable on February 28, 2000 to shareholders of record February 18, 2000 payable \$4.86 in stock and \$1.62 in cash. Approximately 73,081 common shares will be issued for a total consideration of approximately \$10,825,000 in satisfaction of the stock dividend, resulting in the issue of 1 common share for each 30.4794 common shares outstanding at the record date.

Assets

Total assets are \$340,077,842 at December 31, 1999 which is an increase of 6.3% from 1998's total assets of \$319,878,957. The cost of investments in Canadian securities rose 1.4% in 1999 to \$132,176,575. The market value for Canadian securities, as adjusted for security dispositions, increased by 4.9 % in 1999. The cost of investments in foreign securities at December 31, 1999 was \$38,699,210, an increase of 16.5% over 1998. The market value of foreign securities, as adjusted for security dispositions, increased by 22.2% in 1999.

Overall, the Company's net equity value per share increased from \$139.33 in 1998 (restated for 1999 stock dividend) to \$149.62 in 1999, achieving an annual rate of return of 9.7% based on reinvestment of distributions at month-end net asset values. During the comparable period, the TSE 300 Total Return Index increased 31.7%.

Year 2000

The year 2000 issue refers to the failure of computer software when dealing with dates in the year 2000. Implications arise because many computer programs process information using two digit date transactions, rather than four to represent the year. Such software if not replaced or modified could misinterpret the years before and after January 1, 2000.

Although the transition to the year 2000 has occurred, and no problems have been noted to date, it is not certain that all aspects of the Year 2000 issue affecting the Company, including those related to the company's investments, suppliers, or other third parties, are fully resolved. The Company continues to have in place contingency plans to address any Year 2000 related problems that may arise.

Economic Investment Trust Limited

Liquidity and Capital Resources

Liquidity refers to the Company's ability to maintain a cash flow adequate to fund operations and capital investments on a timely and cost efficient basis. It is the objective of the Company to provide its shareholders an above average total rate of return primarily through long-term capital appreciation principally in equity securities. From time to time, however, assets of the Company may be invested in interest bearing short-term securities pending the selection of suitable equity investments. The Company's income from operations after payment of taxable dividends is used to fund operating costs as well as provide resources for additional investments.

February 9, 2000

The Honourable Henry N.R. Jackman
Chairman of the Board

Economic Investment Trust Limited

CONSOLIDATED STATEMENT OF NET ASSETS

	December 31	
	1999	1998
ASSETS		
Investments, at indicated market value (cost - \$170,875,785; 1998 - \$163,568,146)	\$ 327,375,959	\$ 311,663,637
Cash (including short-term investments of \$8,996,106; 1998 - \$6,835,568)	9,311,633	7,039,148
Receivable in respect of investments sold	2,880,781	273,700
Accrued interest and dividends receivable	476,761	883,722
Other assets	32,708	18,750
	<u>340,077,842</u>	<u>319,878,957</u>
LIABILITIES		
Accounts payable and accrued liabilities	124,455	49,478
Payable in respect of investments purchased	—	13,179
Income taxes payable	4,202,186	3,427,361
Future income taxes on unrealized net capital gains (Note 1(f))	5,509,026	7,997,182
	<u>9,835,667</u>	<u>11,487,200</u>
Net assets, at indicated market value	<u>\$ 330,242,175</u>	<u>\$ 308,391,757</u>
SHAREHOLDERS' EQUITY		
Capital stock (Note 4)	\$ 111,797,686	\$ 103,200,117
Contributed surplus (Note 4)	1,489,558	1,487,828
Unrealized appreciation of investments (Note 2)	150,991,148	140,098,309
Retained earnings	65,963,783	63,605,503
Total shareholders' equity	<u>\$ 330,242,175</u>	<u>\$ 308,391,757</u>

APPROVED BY THE BOARD:

HON. HENRY N.R. JACKMAN Director

J. CHRISTOPHER BARRON Director

(See accompanying notes)

Economic Investment Trust Limited

CONSOLIDATED STATEMENT OF OPERATIONS

	Year ended December 31	
	1999	1998
INVESTMENT INCOME		
Dividends:		
Canadian	\$ 3,972,025	\$ 4,747,384
Foreign	526,392	484,400
	4,498,417	5,231,784
Interest	458,939	519,993
	4,957,356	5,751,777
Expenses:		
Operating	742,962	502,672
Income taxes (Note 2)	68,145	128,396
	811,107	631,068
NET INVESTMENT INCOME	4,146,249	5,120,709
REALIZED AND UNREALIZED GAIN ON INVESTMENTS		
Net realized gain on investments (Note 3)	10,063,519	7,705,013
Net change in unrealized appreciation of investments ...	10,892,839	(12,188,905)
NET GAIN (LOSS) ON INVESTMENTS	20,956,358	(4,483,892)
INCREASE IN NET ASSETS FROM OPERATIONS	\$ 25,102,607	\$ 636,817

CONSOLIDATED STATEMENT OF RETAINED EARNINGS

	Year ended December 31	
	1999	1998
RETAINED EARNINGS, BEGINNING OF YEAR	\$ 63,605,503	\$ 64,473,445
Add:		
Net investment income	4,146,249	5,120,709
Net realized gain on investments	10,063,519	7,705,013
Refundable taxes recovered	1,293,091	1,225,279
	79,108,362	78,524,446
Deduct:		
Dividends from net investment income (Note 4)	3,879,274	3,675,836
Capital gains dividends, net of income tax recovery		
of \$3,789,564 (1998 - \$4,784,532) (Note 4)	7,825,958	9,880,699
Provision for refundable taxes	1,439,347	1,362,408
	13,144,579	14,918,943
RETAINED EARNINGS, END OF YEAR	\$ 65,963,783	\$ 63,605,503

(See accompanying notes)

Economic Investment Trust Limited

CONSOLIDATED STATEMENT OF CHANGES IN NET ASSETS

	Year ended December 31	
	1999	1998
INCREASE IN NET ASSETS RESULTING FROM OPERATIONS	\$ 25,102,607	\$ 636,817
DISTRIBUTIONS TO SHAREHOLDERS		
Dividends from net investment income	(3,879,274)	(3,675,836)
Capital gains dividends from net realized gain on investments	(11,615,522)	(14,665,231)
	(15,494,796)	(18,341,067)
Net increase in refundable dividend tax on hand	(146,256)	(137,129)
Income taxes recoverable on distributions from net realized gain on investments	3,789,564	4,784,532
Net distributions to shareholders	(11,851,488)	(13,693,664)
CAPITAL SHARE TRANSACTIONS		
Common shares issued as stock dividends	8,702,569	10,987,126
Purchase of preferred shares for redemption	(103,270)	(180,560)
	8,599,299	10,806,566
INCREASE (DECREASE) IN NET ASSETS	21,850,418	(2,250,281)
NET ASSETS, BEGINNING OF YEAR	308,391,757	310,642,038
NET ASSETS, END OF YEAR	<u>\$330,242,175</u>	<u>\$ 308,391,757</u>

(See accompanying notes)

Economic Investment Trust Limited

STATEMENT OF FINANCIAL HIGHLIGHTS

For each of the years in the five year period ended December 31, 1999

DATA PER COMMON SHARE	1999	1998	1997	1996	1995
Net equity value, beginning of year	\$139.33	\$140.74	\$ 97.76	\$ 76.94	\$ 69.34
Income from investment operations available to common shareholders					
Net investment income	1.82	2.25	2.01	1.90	1.67
Net realized and unrealized gains (losses) on investments	9.40	(2.01)	43.81	19.68	6.94
Total from investment operations	11.22	0.24	45.82	21.58	8.61
Distributions to common shareholders					
From net investment income .	(1.70)	(1.60)	(14.79)	(1.36)	(1.17)
From net realized gains on investments	(5.21)	(6.59)	(3.55)	(2.79)	(3.21)
	(6.91)	(8.19)	(18.34)	(4.15)	(4.38)
Less: shares issued as stock dividends	3.91	4.94	13.16	2.09	2.41
Cash distributions	(3.00)	(3.25)	(5.18)	(2.06)	(1.97)
Taxation changes					
Income taxes recoverable on distributions from net realized gain on investments	1.70	2.16	1.16	0.91	1.05
Change in refundable capital gains tax on hand	0.44	(0.50)	1.04	0.25	(0.23)
Net (increase) decrease in refundable dividend tax on hand	(0.07)	(0.06)	0.14	0.14	0.14
	2.07	1.60	2.34	1.30	0.96
Net equity value, end of year ...	\$149.62	\$139.33	\$140.74	\$ 97.76	\$ 76.94

All per share figures have been restated based on the number of common shares outstanding at December 31, 1999 as a result of stock dividends during the period.

RATIO/SUPPLEMENTAL DATA (Note 7)

Total net assets, end of year (thousands)	\$330,242	\$308,392	\$310,642	\$217,327	\$171,656
Weighted average net assets (thousands)	\$314,412	\$325,421	\$276,925	\$197,155	\$163,288
Ratio of operating expenses to average net assets	0.24%	0.15%	0.16%	0.18%	0.22%
Portfolio turnover rate	15%	14%	26%	22%	19%
Annual rate of return	9.7%	1.2%	49.5%	30.1%	14.0%

(See accompanying notes)

Economic Investment Trust Limited

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - DECEMBER 31, 1999

1. Summary of significant accounting policies

- (a) Principles of consolidation -
The consolidated financial statements include the accounts of the company and its wholly-owned subsidiaries, Econos Foreign Investment Company Limited, Econos Canadian Investment Company Limited and Econos N.V.G. Investment Company Limited.
- (b) Carrying value of investments -
The indicated market values of investments listed on stock exchanges are based on closing market quotations. The indicated market values of investments not listed on stock exchanges have been determined by the directors based on the underlying market values of the net assets represented by such securities.
- (c) Investment transactions -
Investment transactions are accounted for on a trade date basis. Realized gains and losses from investment transactions are calculated on an average cost basis.
- (d) Dividend and interest income -
Dividend income is recognized on the ex-dividend date and interest income is recognized as earned.
- (e) Foreign exchange -
Foreign currency amounts included in the financial statements are stated in Canadian dollars on the following basis:
 - market value of investments at the closing rate of exchange; and
 - purchases and sales of investments, investment income and expenses at the rate of exchange prevailing when the transactions giving rise to such items occurred.
- (f) Income taxes -
The company follows the asset and liability method of accounting for income taxes. Future income tax liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which the temporary differences are expected to be settled on the unrealized appreciation of the investments held by the company's wholly-owned subsidiaries, since such taxes would not be recoverable upon payment of capital gains dividends by the company (see Note 2).

2. Taxation

The company qualifies as an investment corporation under Section 130 of the Income Tax Act (Canada) and is subject to a reduced rate of tax on its investment income other than dividends received from taxable Canadian corporations and net taxable capital gains. The company's provision for income taxes on investment income is determined as follows:

	1999	1998
Basic combined federal and provincial rate	43.82%	43.82%
Investment corporation reduction	(20.00)	(20.00)
	23.82	23.82
Effect of tax on subsidiaries' income at basic tax rate and other adjustments	4.30	1.77
Effective tax rate	28.12%	25.59%
Applied to		
Net income for the year	\$ 4,146,249	\$ 5,120,709
Add: Income taxes	68,145	128,396
	4,214,394	5,249,105
Less: Dividends from taxable Canadian companies	3,972,025	4,747,384
	\$ 242,369	\$ 501,721
Provision for income taxes	\$ 68,145	\$ 128,396

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Economic Investment Trust Limited

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - DECEMBER 31, 1999 (continued)

The company is also subject to a special tax of up to 33 1/3% on taxable dividends received from corporations resident in Canada. This special tax is refundable on payment of taxable dividends to shareholders at the rate of \$1.00 for each \$3.00 of such dividends paid. The amount eligible for refund at December 31, 1999, all of which is included in the statement of retained earnings amounted to \$277,293 (1998 - \$137,129).

Income taxes are also payable by the company on net taxable capital gains realized and these taxes are recoverable by the company, as long as it continues to qualify as an investment corporation, through the distribution of capital gains dividends at the rate of approximately 33% of such distributions made. The company has refundable capital gains tax on hand of approximately \$4,876,000 at December 31, 1999 (1998 - \$3,906,000). This potential recovery has not been recorded in the company's accounts.

In accordance with the Income Tax Act, Canada ("the Act"), a corporation can qualify as an investment corporation if certain tests are satisfied. One of the tests is that the Corporation can not have specified shareholders. A specified shareholder is generally a shareholder, who, along with certain persons with whom the shareholder is related, has a greater than 25% shareholding. The company has had specified shareholders since June 20, 1996. The specified shareholders section of the Act generally allows the company to maintain its investment corporation status as long as it does not have any specified shareholders other than specified shareholders existing on June 20, 1996. In addition, the specified shareholders at June 20, 1996 cannot, after that date, contribute capital or acquire additional shares of the company other than through certain specified transactions.

At December 31, 1999, the parent company had approximately \$138,600,000 (1998 - \$122,700,000) of unrealized net capital gains for tax purposes on securities held in its investment portfolio. No provision has been made for refundable capital gains taxes of approximately \$45,200,000 (1998 - \$40,000,000) that would have been payable by the parent company if the investments had been disposed of at their market value at December 31, 1999. Such taxes would be refundable to the parent company on distribution of such gains to shareholders in the manner referred to above.

The details of unrealized appreciation of investments as at December 31 are as follows:

	1999	1998
Investments at market value	\$327,375,959	\$311,663,637
Investments at cost	170,875,785	163,568,146
Unrealized appreciation of investments before provision for future income taxes	156,500,174	148,095,491
Future income taxes	5,509,026	7,997,182
Unrealized appreciation of investments	<u>\$150,991,148</u>	<u>\$140,098,309</u>

Economic Investment Trust Limited

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - DECEMBER 31, 1999 (continued)

3. Realized gain on investments

The following are the details of the realized gain on investments during the years indicated:

	1999	1998
Proceeds on sales of investments	\$ 54,898,411	\$ 44,021,214
Cost of investments, beginning of year	163,568,146	149,340,540
Cost of investments purchased during the year	47,293,705	46,827,050
	210,861,851	196,167,590
Cost of investments, end of year	170,875,785	163,568,146
Cost of investments sold during the year	39,986,066	32,599,444
Realized gain on investments sold before taxes	14,912,345	11,421,770
Taxes on realized net taxable capital gains	4,848,826	3,716,757
Net realized gain on investments	<u>\$ 10,063,519</u>	<u>\$ 7,705,013</u>

4. Capital stock and dividends

The authorized classes of share capital at December 31, 1999 are as follows:

- 135,190 cumulative preferred shares; and
- an unlimited number of common shares.

The directors have designated the first series of preferred shares as Series A. The series consists of 35,190 authorized shares which have a cumulative dividend of \$2.50 per share per annum and are redeemable at any time at a price of \$52.50 per share together with any unpaid dividends. The articles of the company provide that the company, in the reasonable exercise of its discretion, will annually purchase for cancellation 2,500 5% cumulative preferred shares Series A, at a price not to exceed \$50.00 per share.

The following cash and stock dividends were paid during the year ended December 31, 1999:

	Regular dividends	Capital gains dividends
On preferred shares, \$2.50 (1998 - \$2.50) per share;	\$ 92,600	\$ —
On 2,227,455 common shares, \$1.70 (1998 - \$1.65) per share;	3,786,674	—
Capital gains dividend on 2,167,075 common shares \$1.34 cash	—	2,903,881
\$4.02 stock (60,442.944 shares issued)	—	8,711,641
	<u>\$ 3,879,274</u>	<u>\$ 11,615,522</u>

- continued -

Economic Investment Trust Limited

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - DECEMBER 31, 1999 (continued)

The changes in capital stock during the year were as follows:

	1999		1998	
	Number of shares	Amount	Number of shares	Amount
COMMON SHARES				
Balance, beginning of year	2,167,075.000	\$ 101,335,617	2,095,033.000	\$ 90,348,491
Capital gains stock dividends	60,442.944	8,711,641	72,119.358	10,998,923
Redemption of fractional shares	(62.944)	(9,072)	(77.358)	(11,797)
Balance, end of year	<u>2,227,455.000</u>	<u>\$ 110,038,186</u>	<u>2,167,075.000</u>	<u>\$ 101,335,617</u>

	1999		1998	
	Number of shares	Amount	Number of shares	Amount
SERIES A PREFERRED SHARES				
Balance, beginning of year	37,290	\$ 1,864,500	40,990	\$ 2,049,500
Shares purchased for cancellation	(2,100)	(105,000)	(3,700)	(185,000)
Balance, end of year	<u>35,190</u>	<u>\$ 1,759,500</u>	<u>37,290</u>	<u>\$ 1,864,500</u>

The capital stock account of the company is as follows:

	December 31	
	1999	1998
Series A preferred shares		
Issued - 35,190 (1998 - 37,290) shares	\$ 1,759,500	\$ 1,864,500
Common shares		
Issued - 2,227,455 (1998 - 2,167,075) shares	110,038,186	101,335,617
	<u>\$ 111,797,686</u>	<u>\$ 103,200,117</u>

The difference between the stated capital and the cost of the preferred shares purchased for cancellation has been credited to contributed surplus.

5. Related party information

Included in the company's investments are securities in significantly influenced companies with a market value of \$80,700,732 (1998 - \$110,144,028). Dividends from these companies for the year ended December 31, 1999 amounted to \$1,233,258 (1998 - \$1,215,877).

Economic Investment Trust Limited

6. Net equity value of the company's common shares

The net equity value of the company's common shares is determined by adding the total amount of refundable capital gains tax on hand (Note 2) to the net assets and deducting from the resulting total the outstanding preferred shares at their cost of redemption. The net equity value per common share is the net equity value divided by the number of common shares outstanding.

	December 31	
	1999	1998
Net assets	\$ 330,242,175	\$ 308,391,757
Add: Refundable capital gains tax on hand at end of year (Note 2)	4,876,000	3,906,000
	335,118,175	312,297,757
Deduct: Cost of redemption of preferred shares	1,847,475	1,957,725
Net equity value	\$ 333,270,700	\$ 310,340,032
Net equity value per common share	\$ 149.62	\$ 139.33

7. Statement of financial highlights

- The management expense ratio is calculated based on the ratio of operating expenses to monthly weighted average net assets.
- The portfolio turnover ratio is calculated by dividing the lesser of purchases or sales of securities, excluding investments having maturity dates at acquisition of one year or less, by the weighted average monthly amount of investments held during the year.
- The annual rate of return is calculated based on the change in net asset value per share with reinvestment of cash dividends at month-end net asset values.

8. Subsequent event

On February 9, 2000, the company declared a capital gains dividend of \$6.48 per common share payable on February 28, 2000 to shareholders of record February 18, 2000 payable \$1.62 in cash and \$4.86 in stock. Approximately 73,081 common shares will be issued at \$148.13 per share for a total consideration of approximately \$10,825,000 in satisfaction of the stock dividend, resulting in the issue of 1 common share for each 30.4794 common shares outstanding at the record date.

This dividend will result in a \$4,709,062 recovery of the company's refundable capital gains tax on hand of \$4,876,000 (see Note 2) at December 31, 1999.

The amounts noted in the statement of financial highlights for income from investment operations and net equity value per common share at December 31, 1999 would be \$10.86 and \$144.87, respectively, after giving retroactive effect to the stock portion of the capital gains dividend.

9. Uncertainty due to the Year 2000 issue

The Year 2000 Issue arises because many computerized systems use two digits rather than four to identify a year. Date-sensitive systems may recognize the year 2000 as 1900 or some other date, resulting in errors when information using year 2000 dates is processed. In addition, similar problems may arise in some systems which use certain dates in 1999 to represent something other than a date. Although the change in date has occurred, it is not possible to conclude that all aspects of the Year 2000 Issue that may affect the entity, including those related to the company's investments, suppliers or other third parties, have been fully resolved.

10. Comparative information

Certain comparative information has been reclassified to conform to the basis of presentation adopted in 1999.

Economic Investment Trust Limited

AUDITORS' REPORT

To the Shareholders of
Economic Investment Trust Limited:

We have audited the accompanying consolidated statement of net assets of Economic Investment Trust Limited as at December 31, 1999 and 1998, and the consolidated statement of investments as at December 31, 1999, the consolidated statements of operations, retained earnings and changes in net assets for the years then ended, and the statement of financial highlights for each of the years in the five year period ended December 31, 1999. These financial statements are the responsibility of the company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the company as at December 31, 1999 and 1998, its results of operations and changes in net assets for the years then ended, and its financial highlights for each of the years in the five year period ended December 31, 1999, in accordance with Canadian generally accepted accounting principles.

February 9, 2000
Toronto, Canada

PricewaterhouseCoopers LLP
Chartered Accountants

Economic Investment Trust Limited

CONSOLIDATED STATEMENT OF INVESTMENTS AS AT DECEMBER 31, 1999

Number of shares or par value		Cost	Market value	% of Market
	Convertible Debenture			
\$ 500,000	Swisslink Financial Corp.	\$ 500,000	\$ 441,726	0.13
	Communications and media			
25,000	Alliance Atlantis Communications B	301,250	300,000	
160,000	Canwest Global Communications Corp. S.V.	3,814,269	2,608,000	
40,000	Rogers Cantel Mobile Comm. Cl. B	1,182,886	2,106,000	
100,000	Rogers Communications Inc. Cl. B	1,867,151	3,530,000	
55,000	The Thomson Corporation	2,174,190	2,090,000	
131,200	Torstar Corp. Cl. B	1,661,420	2,066,400	
60,000	WIC Western Int'l Communications Ltd. Cl. B	1,460,294	2,806,500	
		12,461,460	15,506,900	4.74
	Conglomerates			
128,000	Canadian Pacific Limited	3,019,494	3,974,400	
100,000	Newfoundland Capital Corp. Cl A	635,301	992,500	
		3,654,795	4,966,900	1.52
	Consumer products			
110,000	MDS Inc. Cl. B	3,083,316	3,245,000	
130,000	Molson Companies Limited Cl. A	3,365,311	3,477,500	
59,040	Richtree Inc. Cl. A	272,279	26,568	
100,000	The Seagram Company Limited	4,394,309	6,470,000	
		11,115,215	13,219,068	4.04
	Financial services			
280,400	The Bank of Nova Scotia	4,872,143	8,706,420	
326,567	E-L Financial Corporation Limited	6,789,981	46,535,798	
108,000	Guardian Capital Group Limited Cl. A ..	224,930	567,000	
207,139	NVG Holdings Limited *			
	Classes B, C, D, E and common	1,540,758	8,987,761	
180,000	Power Financial Corporation	2,546,377	4,320,000	
140,000	Royal Bank of Canada	4,959,120	8,890,000	
4,765	TGV Holdings Limited Cl. B *	318,411	2,223,063	
380,000	The Toronto-Dominion Bank	4,643,873	14,725,000	
		25,895,593	94,955,042	29.00
	Gold			
140,000	Barrick Gold Corporation	2,763,499	3,605,000	
343,000	High River Gold Mines Ltd.	605,003	185,220	
80,000	Teck Corp. Cl. B	1,938,413	1,088,000	
		5,306,915	4,878,220	1.49

* The net assets of NVG Holdings Limited and TGV Holdings Limited are invested in the shares of The Bank of Nova Scotia.

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Economic Investment Trust Limited

CONSOLIDATED STATEMENT OF INVESTMENTS AS AT DECEMBER 31, 1999

Number of shares or par value		Cost	Market value	% of Market
	Industrial products			
125,000	ATI Technologies Inc.	\$ 2,056,385	\$ 2,387,500	
140,000	Bombardier Inc. Cl. B	1,218,556	4,151,000	
15,000	Cognicase Inc.	307,000	311,250	
135,300	Com Dev Int'l Limited	802,143	635,910	
140,000	Descartes Systems Group Inc.	923,750	4,445,000	
30,000	Electrofuel Inc.	150,000	75,000	
55,000	GEAC Computer Corporation Ltd.	434,288	1,540,000	
95,000	Nortel Networks Corporation	2,637,095	13,855,750	
91,300	Teklogix International Inc.	1,053,012	2,670,525	
		9,582,229	30,071,935	9.18
	Investment companies			
31,776	Ecando Investments Limited			
	Classes "A", "B" and common	4,138,676	12,059,948	
176,414	The Fulcrum Investment Company			
	Limited	464,423	4,780,819	
		4,603,099	16,840,767	5.14
	Merchandising			
80,000	Canadian Tire Corp. Cl A	2,443,694	2,752,000	
100,000	Finning International Inc.	1,495,306	1,350,000	
120,000	Hudson's Bay Company	2,687,513	2,064,000	
110,000	Sears Canada Inc.	1,737,970	4,400,000	
50,000	Weston (George) Limited	1,992,344	2,762,500	
		10,356,827	13,328,500	4.07
	Oil & gas products			
145,000	Anderson Exploration Ltd.	2,055,673	2,501,250	
110,000	Canadian Occidental Petroleum Ltd.	3,552,190	3,135,000	
135,000	Crestar Energy Inc.	3,035,439	2,679,750	
133,068	Imperial Oil Limited	2,100,940	4,125,108	
52,600	PanCanadian Petroleum Ltd.	1,163,562	1,209,800	
130,000	Renaissance Energy Ltd.	3,988,712	1,885,000	
50,000	Shell Canada Ltd. Cl. A	1,586,999	1,465,000	
60,000	Talisman Energy Inc.	1,480,011	2,214,000	
		18,963,526	19,214,908	5.87
	Paper and forest products			
177,500	Canfor Corp.	1,948,364	2,999,750	
30,000	Domtar Inc.	436,783	513,000	
140,000	International Forest Products			
	Limited Cl. A	1,351,632	553,000	
60,000	Tembec Inc. Cl. A	718,150	966,000	
		4,454,929	5,031,750	1.54

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Economic Investment Trust Limited

CONSOLIDATED STATEMENT OF INVESTMENTS AS AT DECEMBER 31, 1999

Number of shares or par value		Cost	Market value	% of Market
	Pipelines			
185,822	Enbridge Inc.	\$ 3,457,267	\$ 5,323,800	1.63
	Real estate and construction			
200,000	Anthem Properties Corp.	1,806,600	950,000	
120,000	Brookfield Properties Corporation ..	2,278,500	1,818,000	
		4,085,100	2,768,000	0.85
	Transportation			
212,638	Algoma Central Corporation	2,973,458	6,113,343	
140,000	Canadian National Railway Co.	2,979,412	5,348,000	
		5,952,870	11,461,343	3.50
	Utilities			
190,000	BCE Inc.	6,715,407	24,918,500	
80,000	BCT.Telus Comm. Cl A NV	2,827,778	2,788,000	
110,000	Transalta Corp.	2,243,565	1,556,500	
		11,786,750	29,263,000	8.94
	Foreign securities			
20,000	3Com Corp.	1,244,837	1,356,702	
70,000	Alcatel Sponsored ADR.	2,481,081	4,546,395	
20,000	Bayer AG ADR	1,257,934	1,363,919	
35,000	Compaq Computer Corp.	1,830,818	1,367,051	
25,000	Dow Jones & Co. Inc.	1,745,785	2,453,610	
31,463	Emerging Markets Investor Fund	897,248	1,059,651	
40,000	Federated Department Stores	2,196,368	2,919,103	
10,000	Hitachi Limited ADR	1,175,683	2,336,342	
20,737	ING Groep ADR	993,695	1,825,712	
35,000	International Business Machines	2,150,674	5,455,674	
18,400	Koninklijke Philips Electronics NV ..	1,238,041	3,585,157	
10,000	Matsushita Electric Ind. ADR	2,320,224	4,026,807	
40,000	Merrill Lynch & Co.	4,233,523	4,820,622	
15,000	Motorola	2,020,371	3,187,889	
50,000	New York Times Co. Cl. A	2,182,475	3,545,106	
45,000	News Corp. Ltd. ADR	1,039,190	2,484,280	
50,000	Siam Investment Fund	707,988	932,372	
10,000	Sony Corp. ADR	2,811,727	4,109,797	
7,000	Suez Lyonnaise Des Eaux	1,337,717	1,617,649	
10,000	United Technologies Inc.	890,232	938,145	
50,000	The Walt Disney Company	1,407,550	2,110,826	
48,500	The Vietnam Frontier Fund	681,200	553,700	
16,992	Vivendi	1,054,882	2,212,641	
55,000	WEBS - Japan Index Series	799,967	1,294,950	
		38,699,210	60,104,100	18.36
Total Investments		\$ 170,875,785	\$ 327,375,959	100.00

Economic Investment Trust Limited

FINANCIAL RECORD - 1928 - 1999

Year Ended March 31	Total Net Assets at Market Value*	Funded Debt	Preferred Shares Outstanding**	Net Equity Behind Common Shares***	Net Investment Income	Net Equity Value per Common Share=
1928	\$ 1,794,643	\$1,000,000	\$ —	\$ 794,643	\$ 59,836	\$ 0.94
1933	1,161,715	962,500	—	199,215	36,538	0.19
1938	2,028,005	1,000,000	—	1,028,005	89,381	0.99
1943	2,604,866	1,000,000	—	1,604,866	79,552	1.54
1948	3,522,969	1,000,000	—	2,522,969	110,054	2.40
Year Ended Dec. 31						
1953	5,197,984	1,250,000	—	3,947,984	189,902	1.77
1963	17,633,299	2,000,000	2,100,000	13,533,299	495,390	6.08
1964	20,955,088	2,000,000	5,250,000	15,705,088	616,158	7.05
1965	21,897,735	2,000,000	5,250,000	16,647,735	703,888	7.47
1966	19,613,106	2,000,000	5,250,000	14,363,106	737,222	6.45
1967	23,076,097	2,000,000	5,128,462	17,947,635	788,722	8.06
1968	27,392,675	2,000,000	5,061,263	22,331,412	732,823	10.03
1969	25,942,615	2,000,000	5,061,263	20,881,352	759,294	9.37
1970	24,365,591	2,000,000	5,061,263	19,304,328	798,172	8.67
1971	27,254,532	2,000,000	5,056,013	22,198,519	781,332	9.97
1972	34,784,901	2,000,000	5,056,013	29,832,388	835,490	13.39
1973	32,502,656	2,000,000	5,056,013	27,556,643	862,673	12.37
1974	24,025,473	2,000,000	5,024,513	19,110,960	966,022	8.58
1975	26,475,662	2,000,000	4,870,950	21,714,712	1,097,837	9.75
1976	31,527,836	3,000,000	4,738,387	23,899,449	1,104,158	10.73
1977	36,885,088	3,000,000	4,685,677	29,309,411	1,125,886	13.16
1978	47,035,243	4,000,000	4,622,677	38,870,556	1,474,268	17.45
1979	56,745,880	4,000,000	4,526,340	49,473,540	1,542,999	22.21
1980	73,727,109	4,000,000	4,375,665	68,321,744	2,406,263	30.67
1981	59,815,872	4,000,000	4,239,165	55,666,756	1,840,964	24.99
1982	65,149,238	4,000,000	4,104,503	60,074,396	2,216,486	26.97
1983	87,807,749	4,000,000	3,973,253	81,245,195	2,194,598	36.47
1984	91,051,485	4,000,000	3,792,915	84,536,433	2,483,432	37.95
1985	109,011,674	4,000,000	3,588,690	102,624,416	2,429,265	46.07
1986	114,166,995	—	3,582,600	112,946,395	3,181,046	50.71
1987	106,475,081	—	3,388,350	103,748,731	3,426,535	46.58
1988	116,457,875	—	3,388,350	113,889,825	4,218,680	51.13
1989	137,871,425	—	3,209,850	135,692,575	11,194,419	60.92
1990	110,001,074	—	3,078,600	108,609,474	4,660,669	48.76
1991	120,600,500	—	2,947,350	118,220,150	3,830,150	53.07
1992	117,818,216	—	2,816,100	115,785,116	4,563,811	51.98
1993	157,775,602	—	2,684,850	157,825,752	4,264,700	70.85
1994	154,366,838	—	2,553,600	154,452,238	3,735,794	69.34
1995	171,655,673	—	2,411,850	171,372,823	3,829,290	76.94
1996	217,327,041	—	2,267,475	217,754,566	4,342,855	97.76
1997	310,642,038	—	2,151,975	313,490,063	4,603,979	140.74
1998	308,391,757	—	1,957,725	310,340,032	5,120,709	139.33
1999	330,242,175	—	1,847,475	333,270,700	4,146,249	149.62

* Total assets at market value less liabilities exclusive of preferred and common shares.

** Preferred Shares at redemption price of \$52.50 per share.

*** Including refundable capital gains tax on hand.

= As of December 31, 1999 there were 2,227,455 common shares outstanding. The calculation of net equity value are restated to reflect a 5-for-2 split in 1951, 5-for-1 split in 1963, 1-for-8 stock dividend (issue price \$50.08) in 1982, 1-for-7 stock dividend (issue price \$49.07) in 1983, 1-for-20 stock dividend (issue price \$60.00) in 1984, 1-for-22 stock dividend (issue price \$59.40) in 1985, 1-for-31 stock dividend (issue price \$69.75) in 1986, 1-for-17 stock dividend (issue price \$71.40) in 1987, 1-for-63 stock dividend (issue price \$64.26) in 1988, 1-for-67 stock dividend (issue price \$70.35) in 1989, 1-for-56 stock dividend (issue price \$82.32) in 1990, 1-for-30 stock dividend (issue price \$64.80) in 1991, 1-for-27.7 stock dividend (issue price \$91.41) in 1994, 1-for-28.78 stock dividend (issue price \$86.34) in 1995, 1-for-38.4246 stock dividend (issue price \$96.83) in 1996, 1-for-37.6442 stock dividend (issue price \$117.45) and 1-for-13.3767 stock dividend (issue price \$160.52) in 1997, 1-for-29.0495 stock dividend (issue price \$152.51) in 1998, and 1-for-35.8532 stock dividend (issue price \$144.13) in 1999.

